

Budgeting for Indiana Libraries

Spring 2008

Department of Local Government
Finance

June 3, 2008

Definitions

- Budgets - are a financial plan covering an 18 month long cycle (in Indiana) that includes both revenues and expense for each fund of a civil taxing unit. The 18 month cycle allows the unit to spread financial results, both favorable and unfavorable over a longer period of time and across two calendar years.

Definitions

(Continued)

- Appropriations – the legal authorization to incur obligations and to make expenditures for specific purposes.
- Assessed Valuation – the valuation set upon real estate and certain personal property by the assessor as a basis for levying taxes.

Definitions

(Continued)

- Budget Calendar – a schedule of key events, which a government follows in preparation, and adoption of the budget
- Encumbrance – the commitment of appropriated funds to purchase an item or service. To encumber funds means to commit or set aside funds for a specific future expenditure.

Definitions

(Continued)

- Fund – a fiscal account with revenues and expense which are segregated for the purpose of carrying out a specific purpose or activity.
- Miscellaneous Revenues – all types of revenues other than property taxes or property tax replacement credits.

Definitions

(Continued)

- Property tax replacement credits – a portion of the property tax bills that are paid by the State of Indiana and other local government revenue sources directly reducing the public's property tax bills.

Library Funds

- Operating Fund- used to account for all revenues and expense for the general operations, except those required to be accounted for in another fund. All general operating revenues which are not restricted by source or use are recorded in the operating (general) fund.

Library Funds

- Capital Projects Fund – a fund which may be established to levy property taxes to be used for:
 - 1) A facility used or to be used by the Library District.
 - a) planned construction, repair, replacement, or remodeling
 - b) site acquisition
 - c) site development
 - d) repair, replacement, or site acquisition that is necessitated by an emergency
 - 2) The purchase, lease or repair of equipment to be used by the Library District
 - 3) The purchase, lease, upgrading, maintenance or repair of computer hardware or software.

I.C. 36-12-12-3

Library Funds

- Library Improvement Reserve Fund (LIRF)
 - A fund type specific to libraries that functions similar to rainy day funds. These funds have no dedicated revenue sources but are comprised of transferred surplus fund balances from other funds. Purpose of the fund is to anticipate necessary future capital expenditures such as the purchase of land, the purchase and construction of buildings or structures, the construction of additions or improvements to existing structures, the purchase of equipment, and all repairs or replacements of buildings or equipment. I.C. 36-12-3-11. Appropriations must be budgeted and approved by the Department of Local Government Finance.

Library Funds

- Construction Fund – All money received from the sale of bonds or other forms of indebtedness (leases) for the construction or improvements of library buildings is deposited into this fund. The money shall be appropriated and spent only for the purpose of the debt.
 - IC 36-12-3-11

Library Funds

- Bond and Interest Redemption Fund
 - (Debt Service Fund) is derived from taxes levied for the purpose of retiring bonds or other indebtedness including interest. The fund shall be used for no other purpose other than repayment of the indebtedness.

Library Funds (Other)

- Grants or Gift Funds – may be established by libraries and may be expended without appropriation in accordance with conditions and purposes specified by the donor.
 - I.C. 36-12-3-11(a)(5)
- Rainy Day Funds

Library Budget Calendar

- January 1 to May 15 Library prepares proposed LCPF Plan and Plan Summary pursuant to IC 36-12-12-3.
- Library Board gives ten-day notice of a public hearing. Advertised one time in two newspapers.
- Library passes resolution to adopt the proposed LCPF plan.
- Library sends certified copy of LCPF plan to appropriate fiscal body.
- August 1 Appropriate fiscal body holds a public hearing on the LCPF within thirty days or August 1, whichever is earlier.
- September 9 Last date for first publication of budget (10 days prior to the Public Hearing date). IC 36-12-3-12(b)(1)
- September 16 Last date to submit budget to fiscal body (14 days before adoption hearing)
- September 17 Last date for second publication of budget (at least 3 days before public hearing). IC 5-3-1-2
- September 20 Last date for public hearing (at least 10 days prior to adoption date). IC 6-1.1-17-5(a)
- September 19 Last date to file excessive levy appeals with the Department of Local Government Finance. Appeals for relief from property tax rate and levy limitations must be filed with the Department of Local Government Finance before September 20 to be eligible for consideration.
- September 30 Last date for meeting of Library Board for adoption of
» budgets and tax rates (IC 36-12-3-12 (b)(2)).

June 3, 2008

Library Budget Calendar

- If no resolution is adopted, the provisions of IC 36-12-3-12 (b) are in effect (previous year's budget and levy).
- September 20 Last date to file Library Capital Projects plan with the Department of Local Government Finance.
- Last date to file budgets with County Auditor (2 days after adoption meeting.) IC 6-1.1-17-5(d)
- IC 6-1.1-17-5(d) states each year, at least two (2) days before the first meeting of the county board of tax adjustment the library shall file with the auditor a statement of the rate and levy fixed by the political subdivision...

Library Budget Forms

- Library Budget forms are unchanged from last year
- Forms can be found online at www.in.gov/dlgf
- DLGF field representatives can assist with forms during budget workshops in July-August.

Library Budget Forms

- Form 1
 - Details line item expense by major classification
 - For example;
 - Personal Services
 - Salaries and wages
 - Public Employee Retirement Fund (PERF)
 - Health Insurance Premium
 - Total

Grand Total of all budget categories goes on Line 1 of 16-line statement

Library Budget Forms

- Form 2 – Statement of Miscellaneous Revenues
 - Example:
 - Includes estimates for second 6 months of current year
 - Estimate for ensuing budget year

SPECIAL TAXES:

0201	Financial Institutions Tax/PCA	—
0202	License Excise Tax	—
0203	CAGIT Certified Shares	—
0204	CAGIT Property Tax Replacement Credit	—
0212	County Option Income Tax (COIT)	—
0217	CVET Commercial Vehicle Excise Tax	—

Library Budget Forms

- Budget Form 3
 - Notice to taxpayers of budgets and property tax levies
 - Includes a column for appeals
 - Notice lists all funds
 - Advertise the maximum amounts
 - Includes place and time of public hearing on budget
 - Also includes instruction to taxpayers of how to object

Library Budget Forms

- Budget Form 4
- Resolution of Appropriations
 - Shows a summary of Form 1
 - Indicates the fund
 - Requires signature of Board Members by how they voted

Budget Form 4(b) will be covered separately

Form 4-b Budget Estimate

- Financial Estimate
 - Commonly referred to as the “16 Line Statement”
 - Covers the financial activity over 18 months
 - Includes the estimated property tax levy and rate

Form 4-b Budget Estimate

- Column 1 is the units budget as advertised
- Column 2 is the budget as adopted by the fiscal body
- Column 3 is the budget as changed by the tax adjustment board (if applicable)
- Column 4 is the DLGF certified budget

Form 4-b Budget Estimate

- Line 1 – Total budget for the ensuing year (total from form 1 and form 4 or 4A)
- Line 2 – The balance of appropriations left to be spent from July 1st through December 31st of the current year (Approved budget + additional appropriations – actual expense)

Form 4-b Budget Estimate

- Line 3 – Additional appropriations anticipated in the second half of current year
- Line 4A – Temporary loans to be repaid by 12/31/08
- Line 4B – Temporary loans to be paid back by 6/30/2009

Form 4-b Budget Estimate

- Line 5 – Total Lines 1 through 4B. This gives the total estimated expense over the 18 month period.
- Line 6 – Actual cash balance of June 30, including cash and investments
- Line 7 – Property taxes to be received in the second half of 2008. Information is provided by Auditor's certificate

Form 4-b Budget Estimate

- Line 8A – Revenues to be collected July 1 through Dec. 31 of the current year. Information is taken from Form 2, column A.
- Line 8B – Revenues to be collected in ensuing year. (Form 2 column B).
 - (Be conservative)

Form 4-b Budget Estimate

- Line 9 – Total of Lines 6, 7, 8A, & 8B
 - This gives the total revenues and cash available for the 18 month period, except for next years property taxes
- Line 10 – Line 5 minus Line 9
 - Total expense minus total revenues without property taxes – shows amount of property taxes needed

Form 4-b Budget Estimate

- Line 11- Operating Balance
 - Amount needed to maintain sufficient cash flow. Ideally, this is 6 months operating expense minus miscellaneous revenues
- Line 12 – Sum of Lines 10 and 11

Form 4-b Budget Estimate

- Line 13 – CAGIT & LOIT Counties Only
 - This is the Replacement credit required for property tax levy reduction in CAGIT adopting counties
 - Line 13B is to be used for counties that adopted LOIT's for the levy freeze

Form 4-b Budget Estimate

- Line 14 – Line 12 minus Line 13 (Property tax levy minus the levy replacement from CAGIT or LOIT)
 - Compare the result to the maximum levy
 - In non-adopting counties line 14 will equal line 12

Form 4-b Budget Estimate

- Line 15 – Levy Excess
 - Always leave blank. Make the DLGF fill in this line.
 - Levy excess are current year taxes collected in the previous year that were in excess of 100% of the certified levy
 - The “excess” becomes a “credit” to apply to the ensuing years levy

Form 4-b Budget Estimate

- Line 16 – Amount of property tax levy needed. This is the amount to be advertised on form 3
- Line 17 – Tax rate on each \$100 of assessed value

$$\text{Levy} = \text{Tax Rate} \times (\text{AV}/\$100)$$

Property Tax Rates

- Tax Rate Calculation Example

- Assume the assessed value is \$123,456,789 and assume the needed levy is \$654,321

Step 1: Divide AV by 100 =

$$123,456,789/100=1,234,567$$

Step 2: Divide the needed levy (\$654,321) by step 1 result;

$$\$654,321/\$1,234,567=0.5300$$

Tax rate needed is 0.5300 per \$100 of assessed valuation.

Library Budget Forms

- Budget form 5
 - Budget Submission Letter and Certificate
 - Certifies all funds and the approved property tax rates for each fund
 - Form is signed by the Board members according to how they voted

Contacts

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